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LOCAL AUDIT & FINANCE DIV.

Township of Thomas

Saginaw County

Financial Statements

For the Year Ended
March 31, 2004



REHMANN ROBSON

Certified Public Accountants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

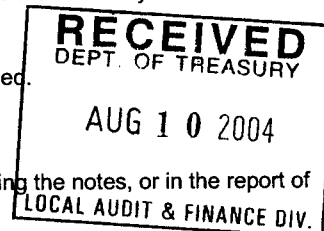
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Thomas Township	County Saginaw
Audit Date 3/31/04	Opinion Date 5/20/04	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson				Gerald J. Desloover, CPA	
Street Address 5800 Gratiot Ave, PO Box 2025		City Saginaw	State MI	ZIP 48605	
Accountant Signature 			Date 7/27/04		

TOWNSHIP OF THOMAS

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
General Purpose Financial Statements for the Year Ended March 31, 2004	
Combined Balance Sheet – All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Types	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balance – Amended Budget and Actual – Governmental Fund Types	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances – Proprietary Fund Type and Similar Trust Fund	6
Combined Statement of Cash Flows – Proprietary Fund Type and Similar Trust Fund	7
Notes to Financial Statements	8-22
Supplemental Information	
General Fund	
Comparative Balance Sheet	23
Statement of Revenues, Expenditures and Changes in Fund Balance	24
Detailed Schedule of Expenditures	25-30
Special Revenue Funds	
Combining Balance Sheet	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	32
Enterprise Funds	
Combining Balance Sheet	33
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings	34
Combining Statement of Cash Flows	35
Sewer Fund	
Comparative Balance Sheet	36
Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings	37
Comparative Statement of Cash Flows	38

TOWNSHIP OF THOMAS

TABLE OF CONTENTS

	<u>PAGE</u>
Water Fund	
Comparative Balance Sheet	39
Comparative Statement of Revenues, Expenses, and Changes in Retained Earnings	40
Comparative Statement of Cash Flows	41
Trust And Agency Funds	
Combining Balance Sheet	42
Combining Statement of Changes in Assets and Liabilities	43
Schedules of Long-Term Debt	
Schedule of Changes in Long-Term Debt	44
Long-Term Debt Repayment Schedule (General Long-Term Account Group)	45
Internal Control and Compliance	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	46-47



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

May 20, 2004

To the Township Board
Township of Thomas
Saginaw County, Michigan

We have audited the accompanying general purpose financial statements of the *Township of Thomas, Michigan* as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the *Township of Thomas's* management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "*Government Auditing Standards*", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the *Township of Thomas, Michigan* as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2004 on our consideration of the *Township of Thomas, Michigan's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the *Township of Thomas*. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Rehmann Lobson

GENERAL PURPOSE FINANCIAL STATEMENTS

**TOWNSHIP OF THOMAS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004**

ASSETS	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE
	GENERAL	SPECIAL REVENUE	ENTERPRISE
Cash and cash equivalents	\$ 975,467	\$ 2,339,860	\$ 6,098,759
Investments	-	200,000	-
Receivables:			
Accounts	-	-	399,135
Taxes	111,888	-	-
Special assessments	67,085	-	252,324
Due from other governmental units	112,422	13,468	49,807
Inventory	-	-	63,469
Fixed assets - net of accumulated depreciation, where applicable	-	-	16,839,069
Amount to be provided for retirement of long-term debt	-	-	-
TOTAL ASSETS	\$ 1,266,862	\$ 2,553,328	\$ 23,702,563
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES			
Accounts payable	\$ 5,692	\$ 112,492	\$ 9,412
Accrued payroll	8,938	17,415	4,192
Accrued compensated absences	-	-	13,058
Due to other governmental units	31,300	-	-
Deferred revenue	67,085	-	-
Deposits from developers	-	-	305,768
Bonds payable	-	-	-
TOTAL LIABILITIES	113,015	129,907	332,430
EQUITY AND OTHER CREDITS			
Contributed capital	-	-	13,384,167
Investment in general fixed assets	-	-	-
Retained earnings:			
Reserved for sewage treatment plant expansion	-	-	562,102
Reserved for construction, improvement or expansion	-	-	1,343,219
Unreserved	-	-	8,080,645
Fund balances:			
Reserved for cemetery maintenance	-	-	-
Unreserved			
Designated for subsequent years expenditures	-	70,088	-
Undesignated	1,153,847	2,353,333	-
TOTAL FUND EQUITY	1,153,847	2,423,421	23,370,133
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,266,862	\$ 2,553,328	\$ 23,702,563

The accompanying notes are an integral part of these financial statements.

FIDUCIARY
FUND TYPES

ACCOUNT GROUPS

TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	TOTAL (MEMORANDUM ONLY)
\$ 473	\$ -	\$ -	\$ 9,414,559
15,428	-	-	215,428
-	-	-	399,135
-	-	-	111,888
-	-	-	319,409
-	-	-	175,697
-	-	-	63,469
-	5,733,898	-	22,572,967
-	-	678,601	678,601
\$ 15,901	\$ 5,733,898	\$ 678,601	\$ 33,951,153
\$ -	\$ -	\$ -	\$ 127,596
-	-	-	30,545
-	-	89,101	102,159
473	-	-	31,773
-	-	-	67,085
-	-	-	305,768
-	-	589,500	589,500
473	-	678,601	1,254,426
-	-	-	13,384,167
-	5,733,898	-	5,733,898
-	-	-	562,102
-	-	-	1,343,219
-	-	-	8,080,645
15,428	-	-	15,428
-	-	-	70,088
-	-	-	3,507,180
15,428	5,733,898	-	32,696,727
\$ 15,901	\$ 5,733,898	\$ 678,601	\$ 33,951,153

TOWNSHIP OF THOMAS, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL REVENUE	TOTAL (MEMORANDUM ONLY)
REVENUES			
Property taxes and collection fees	\$ 515,204	\$ 1,096,271	\$ 1,611,475
Special assessments	79,773	503,294	583,067
Intergovernmental:			
State shared revenue	882,411	-	882,411
State aid and other grants	-	22,951	22,951
Licenses and permits	121,571	-	121,571
Construction permits	99,147	-	99,147
Charges for services	5,264	103,179	108,443
Fines and forfeitures	38,530	61,121	99,651
Contributions	-	17,635	17,635
Sale of inventory and equipment	3,300	2,733	6,033
Reimbursements and refunds	18,249	12,627	30,876
Interest	12,583	23,998	36,581
Administration fees from other funds	166,393	-	166,393
Other	4,332	11,879	16,211
TOTAL REVENUES	1,946,757	1,855,688	3,802,445
EXPENDITURES			
General Government			
Township board	43,868	-	43,868
Manager	103,702	-	103,702
Elections	10,174	-	10,174
Clerk	66,370	-	66,370
Treasurer	164,266	-	164,266
Municipal building	82,955	-	82,955
Cemetery	14,290	-	14,290
Public Safety	-	1,139,475	1,139,475
Community development	220,013	-	220,013
Construction codes	124,072	-	124,072
Public Works			
Sidewalks	2,662	-	2,662
Storm water management	27,922	-	27,922
Drain at large	173,075	-	173,075
Street lights	51,983	-	51,983
Road maintenance	176,561	-	176,561
Refuse collection	-	501,163	501,163
Recreation and Cultural			
Parks and recreation	-	356,859	356,859
Library	-	258,720	258,720
TOTAL EXPENDITURES	1,261,913	2,256,217	3,518,130
REVENUES OVER (UNDER) EXPENDITURES	684,844	(400,529)	284,315
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	669,739	669,739
Operating transfers (out)	(620,542)	(49,197)	(669,739)
TOTAL OTHER FINANCING SOURCES (USES)	(620,542)	620,542	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	64,302	220,013	284,315
FUND BALANCES, BEGINNING OF YEAR	1,089,545	2,203,408	3,292,953
FUND BALANCES, END OF YEAR	\$ 1,153,847	\$ 2,423,421	\$ 3,577,268

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AMENDED BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Property taxes and collection fees	\$ 515,994	\$ 515,204	\$ (790)
Special assessments	38,000	79,773	41,773
Intergovernmental:			
State shared revenue	931,918	882,411	(49,507)
State aid and other grants	-	-	-
Licenses and permits	100,000	121,571	21,571
Construction permits	80,000	99,147	19,147
Charges for services	9,500	5,264	(4,236)
Fines and forfeitures	40,000	38,530	(1,470)
Contributions	-	-	-
Sale of inventory and equipment	3,000	3,300	300
Reimbursements and refunds	13,830	18,249	4,419
Interest	25,000	12,583	(12,417)
Administration fees from other funds	171,000	166,393	(4,607)
Other	530	4,332	3,802
TOTAL REVENUES	1,928,772	1,946,757	17,985
EXPENDITURES			
General Government			
Township board	43,489	43,868	(379)
Manager	104,262	103,702	560
Elections	12,026	10,174	1,852
Clerk	69,824	66,370	3,454
Treasurer	171,693	164,266	7,427
Municipal building	94,440	82,955	11,485
Cemetery	17,935	14,290	3,645
Public Safety	-	-	-
Community development	224,405	220,013	4,392
Construction codes	125,055	124,072	983
Public Works			
Sidewalks	5,370	2,662	2,708
Storm water management	25,000	27,922	(2,922)
Drain at large	175,487	173,075	2,412
Street lights	55,000	51,983	3,017
Road maintenance and improvement	346,800	176,561	170,239
Refuse collection	-	-	-
Recreation and cultural			
Parks and recreation	-	-	-
Library	-	-	-
TOTAL EXPENDITURES	1,470,786	1,261,913	208,873
REVENUES OVER (UNDER) EXPENDITURES	457,986	684,844	226,858
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers (out)	(632,456)	(620,542)	11,914
TOTAL OTHER FINANCING SOURCES (USES)	(632,456)	(620,542)	11,914
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(174,470)	64,302	238,772
FUND BALANCES, BEGINNING OF YEAR	1,089,545	1,089,545	-
FUND BALANCES, END OF YEAR	\$ 915,075	\$ 1,153,847	\$ 238,772

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUNDS		
AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 1,079,532	\$ 1,096,271	\$ 16,739
501,300	503,294	1,994
-	-	-
34,220	22,951	(11,269)
-	-	-
83,610	103,179	19,569
57,700	61,121	3,421
10,550	17,635	7,085
4,000	2,733	(1,267)
23,500	12,627	(10,873)
28,200	23,998	(4,202)
-	-	-
1,100	11,879	10,779
1,823,712	1,855,688	31,976
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,170,334	1,139,475	30,859
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
488,297	501,163	(12,866)
359,602	356,859	2,743
271,150	258,720	12,430
2,289,383	2,256,217	33,166
(465,671)	(400,529)	65,142
613,958	669,739	55,781
-	(49,197)	(49,197)
613,958	620,542	6,584
148,287	220,013	71,726
2,203,408	2,203,408	-
\$ 2,351,695	\$ 2,423,421	\$ 71,726

TOWNSHIP OF THOMAS
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTAL
	ENTERPRISE FUNDS	NON- EXPENDABLE TRUST	(MEMORANDUM ONLY)
OPERATING REVENUES			
Charges for services	\$ 2,490,854	\$ -	\$ 2,490,854
Connection charges	47,124	-	47,124
Capacity charges	205,370	-	205,370
Turn-on/hauler/pool fill	5,345	-	5,345
Extensions	38,354	-	38,354
Miscellaneous	5,916	-	5,916
TOTAL OPERATING REVENUES	2,792,963	-	2,792,963
OPERATING EXPENSES			
Salaries and wages	196,074	-	196,074
Payroll taxes	14,780	-	14,780
Employee benefits	54,221	-	54,221
Employee pension plan	19,380	-	19,380
Administrative fees	139,194	-	139,194
Professional fees	39,322	-	39,322
Contracted services	23	-	23
Membership and dues	8,023	-	8,023
Communications, telephones, and pagers	7,930	-	7,930
Sewage treatment	311,493	-	311,493
Insurance - general	20,417	-	20,417
Insurance - workers comp	781	-	781
Cost of water	790,698	-	790,698
Repairs and maintenance	102,422	-	102,422
Vehicle expense	5,111	-	5,111
Education and training	4,571	-	4,571
Depreciation	364,802	-	364,802
Operating supplies	7,521	-	7,521
Uniforms	4,664	-	4,664
Utilities	19,258	-	19,258
Legal notices	3,431	-	3,431
Miss Dig service	4,108	-	4,108
Maintenance agreements	1,165	-	1,165
Gas and oil	9,039	-	9,039
Connection cost	39,826	-	39,826
Medical	495	-	495
Miscellaneous	10,115	-	10,115
TOTAL OPERATING EXPENSES	2,178,864	-	2,178,864
OPERATING INCOME	614,099	-	614,099
NONOPERATING REVENUES (EXPENSES)			
State grants	125,892	-	125,892
Interest revenue	64,380	-	64,380
Interest expense	(428)	-	(428)
Paying agent fees	(200)	-	(200)
TOTAL NET NONOPERATING REVENUES	189,644	-	189,644
NET INCOME	803,743	-	803,743
ADD: Depreciation on fixed assets acquired with grants that reduces contributed capital	48,670	-	48,670
INCREASE IN RETAINED EARNINGS	852,413	-	852,413
RETAINED EARNINGS, BEGINNING OF YEAR, AS RESTATED	9,133,553	15,428	9,148,981
RETAINED EARNINGS, END OF YEAR	\$ 9,985,966	\$ 15,428	\$ 10,001,394

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF THOMAS
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	PROPRIETARY FUND TYPE ENTERPRISE FUNDS	FIDUCIARY FUND TYPE NON-EXPENDABLE TRUST	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income	\$ 614,099	\$ -	\$ 614,099
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	364,802	-	364,802
(Increase) decrease in assets:			
Accounts receivable	(10,642)	-	(10,642)
Special assessments receivable	60,455	-	60,455
Due from other governmental units	45,500	-	45,500
Inventory	(7,321)	-	(7,321)
Increase (decrease) in liabilities:			
Accounts payable	(138,282)	-	(138,282)
Accrued payroll	4,192	-	4,192
Deposits from developers	259,465	-	259,465
Accrued compensated absences	412	-	412
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,192,680	-	1,192,680
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(641,055)	-	(641,055)
Principal paid on bonds and contracts	(15,000)	-	(15,000)
Interest paid on bonds and contracts	(428)	-	(428)
Paying agent fees	(200)	-	(200)
State grants	125,892	-	125,892
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(530,791)	-	(530,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	50,000	-	50,000
Interest on investments	64,380	-	64,380
NET CASH PROVIDED BY INVESTING ACTIVITIES	114,380	-	114,380
NET INCREASE IN CASH AND CASH EQUIVALENTS	776,269	-	776,269
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,322,490	-	5,322,490
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,098,759	\$ -	\$ 6,098,759

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the presentation of the financial report of the Township of Thomas follow generally accepted accounting principles as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

REPORTING ENTITY

The Township of Thomas (the "Township") was organized in 1855 in Saginaw County, Michigan. The Township operates under a Township board with seven members and provides various services to approximately 12,500 residents.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and any component units, entities for which it has operational or financial relationships. Thomas Township currently has no component units.

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund and account group are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes of which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped in the financial statements in this report, into fund types, broad fund categories, and account groups as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specified purposes.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations that provide water and sewer services to citizens financed primarily by user chargers; or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or agency capacity for individuals, private organizations, other governments and/or other funds.

Account Groups

General Fixed Assets Account Group - This account group is established to account for the Township's fixed assets, except those accounted for in Proprietary Funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the Township, except those accounted for in Proprietary Funds.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental Funds

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include taxpayer-assessed income, state and federal sources, and intergovernmental revenues.

Expenditures are generally recognized, under the modified accrual basis of accounting, when the related fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total assets.

BUDGETS AND BUDGETARY ACCOUNTING

Comparisons to budget are presented for the General and Special Revenue Funds. The operating budgets are adopted by activity. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted or as amended by the Township Board in accordance with the state and local laws.

ENCUMBRANCES

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

CASH EQUIVALENTS

Cash equivalents are all highly liquid investments such as bank savings accounts and certificates of deposits with an original maturity of three months or less. Other investments, if any, with an original maturity of three months or less are also considered cash equivalents.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

In accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended, the surplus funds of the Township may be invested as follows:

1. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments listed in Item 1 above. Repurchase agreements shall be negotiated only with dealers or financial institutions with whom the Township has negotiated a Master Repurchase Agreement. Repurchase agreements must be signed with the bank or dealer and must contain provisions comparable to those outlined in the Public Security Association's model Master Repurchase Agreement.
5. Banker's acceptances of United States banks.
6. Mutual funds registered under the Investment Company Act of 1940, which must maintain a \$1.00 per share net asset value, and with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

RECEIVABLES

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided because collection is not considered doubtful and any uncollectible amounts would be immaterial.

INVENTORIES

Inventories of the Enterprise Funds, which consist of operating supplies, are valued at cost, which approximates market, using the first-in, first-out method. Inventories of the Governmental Funds are recorded as expenditures when purchased.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

FIXED ASSETS

Governmental Funds

General fixed assets in governmental fund type operations are not capitalized in the funds used to acquire or construct them. Capital outlay and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Asset Account Group. All purchased fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair value on the date received.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

Proprietary Funds

Property and equipment acquired by Proprietary Funds are recorded as fixed assets, at cost or, if donated, fair value. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits and bond interest costs.

Depreciation on property and equipment recorded in Proprietary Fund Types is computed using the straight-line method over the estimated useful lives of the related assets. Depreciation expense is distributed between retained earnings and contributed capital based upon the funds used to acquire the fixed assets.

LONG-TERM OBLIGATIONS

The Township reports long-term debt of governmental funds at face value in the general long term debt account group. Long term debt and other obligations financed by proprietary funds are reported as liabilities in those funds.

COMPENSATED ABSENCES

The Township follows the provisions of GASB No. 16 which requires recording a liability for estimated compensated absences payable that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer or employee. This liability is accrued as the benefits are earned.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

Sick Leave

It is the Township's policy to grant sick leave days to employees on January 1 each year. To the extent that an employee has accumulated unused sick leave on December 31 of any year, the employee has the option to carryover a maximum of 56 hours to the following year. In the event that an employee, as of December 31, chooses not to carry over any unused sick leave or has 56 hours available for their carryover bank, the employee is paid for 50% of the remaining unused days.

Upon termination as a result of resignation or retirement, an employee is paid for 50% of his or her accumulated, but unused days, up to a maximum of 68 hours.

The Township's accrued maximum sick pay liability is recorded in the general long-term debt group of accounts.

Vacation/Paid Time Off

It is the Township's policy to grant eligible employees paid time off (PTO) hours on January 1 each year. The employee can carryover 40 unused PTO hours into a new calendar year. Upon termination of employment due to resignation, death, retirement, or layoff, non-union and union employees are compensated at one hundred (100%) cash value for any unused PTO hours. Unpaid PTO is recorded in the general long-term debt group of accounts. PTO will be prorated for the year of termination based on hours worked.

FUND EQUITY

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Designated fund balances represent tentative plans for future use of financial resources. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represents the net assets that have been legally identified for specific purposes.

Contributed capital is recorded in proprietary funds for capital grants, and contributions received from developers, customers or other funds received through March 31, 2002. Depreciation on assets acquired with capital contributed by federal grants is charged against contributed capital equity.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

SPECIAL ASSESSMENTS

In the General Fund, multi-year special assessments are recorded as revenues when payment is received. In the Enterprise Funds, special assessments are recorded as receivables when levied.

TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 20

The Township applies all applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting for its proprietary operations.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended March 31, 2004, the Township incurred expenditures in the General Fund and Special Revenue Funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable) Variance</u>
GENERAL FUND:			
General Government –			
Township board	\$ 43,489	\$ 43,868	\$ (379)
Public Works –			
Storm water management	25,000	27,922	(2,922)
SPECIAL REVENUE FUNDS:			
Refuse Collection Fund –			
Public Works	488,297	501,163	(12,866)
Fire Fund –			
Public Safety	391,397	394,543	(3,146)
Police Fund –			
Public Safety	688,937	688,985	(48)
Public Safety Capital Improvements Fund –			
Transfers out	-	49,197	(49,197)

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS

The Township's deposits and investments at March 31, 2004 are included on the balance sheet under the following classifications:

	<u>Deposits</u>	<u>Investments</u>	<u>Petty Cash</u>	<u>Total</u>
<u>Balance Sheet Classifications</u>				
Cash and cash equivalents	\$ 7,029,763	\$ 1,728,507	\$ 925	\$ 8,759,195
Investments	215,428	-	-	215,428
Restricted assets:				
Cash and cash equivalents	<u>655,364</u>	<u>-</u>	<u>-</u>	<u>655,364</u>
	<u>\$ 7,900,555</u>	<u>\$ 1,728,507</u>	<u>\$ 925</u>	<u>\$ 9,629,987</u>

The carrying amount of the Township's deposits with financial institutions was \$7,900,555 and the bank balance was \$7,965,730. The bank balance is categorized as follows:

Insured by the FDIC	\$ 200,000
Uncollateralized and uninsured	<u>7,765,730</u>
Total bank balance	<u>\$ 7,965,730</u>

The Township's deposits are in accordance with statutory authority.

As of March 31, 2004, the Township's investments of \$1,728,507 were considered uncategorized mutual funds which are not evidenced by securities that exist in physical or book entry form. These are short-term investments and are reported at fair value.

The Township's investments are in accordance with statutory authority.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

4. FIXED ASSETS

General Fixed Assets Group of Accounts

A summary of changes in general fixed assets is as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land	\$ 248,602	\$ -	\$ -	\$ 248,602
Land improvements	431,905	41,225	-	473,130
Building and improvements	2,495,648	-	-	2,495,648
Equipment	864,812	32,588	-	897,400
Vehicle	998,222	77,549	(53,789)	1,021,982
Library equipment	595,974	1,162	-	597,136
Totals	<u>\$5,635,163</u>	<u>\$ 152,524</u>	<u>\$ (53,789)</u>	<u>\$5,733,898</u>

Proprietary Funds Fixed Assets

The following is a summary of proprietary fund type fixed assets at March 31, 2004:

	Sewer	Water	Total
Capacity rights	\$ 817,115	\$ -	\$ 817,115
Sewer distribution system and equipment	9,872,539	-	9,872,539
Water system and equipment	-	11,655,006	11,655,006
	10,689,654	11,655,006	22,344,660
Less accumulated depreciation	<u>3,109,560</u>	<u>2,396,031</u>	<u>5,505,591</u>
Net fixed assets	<u>\$7,580,094</u>	<u>\$9,258,975</u>	<u>\$16,839,069</u>
Depreciation expense	<u>\$ 172,878</u>	<u>\$ 191,924</u>	<u>\$ 364,802</u>

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	40 years
Mains	50 – 75 years
Equipment	3 – 15 years
Elevated tank	40 years

5. LONG-TERM DEBT

The long-term debt of the Township at March 31, 2004 is comprised of the following:

	<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Balance April 1 2003</u>	<u>Additions (Payments)</u>	<u>Balance March 31, 2004</u>
PROPRIETARY FUNDS:							
Compensated absences payable					\$ 12,646	\$ 412	\$ 13,058
Special Assessment Bonds	5.00-7.00%	5/1/93	5/1/03	\$ 110,000	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total Proprietary Fund Debt					<u>\$ 27,646</u>	<u>\$ (14,588)</u>	<u>\$ 13,058</u>
GENERAL LONG-TERM DEBT:							
Compensated absences payable					\$ 75,890	\$ 13,211	\$ 89,101
County Drain Assessment Debt	4.38%	8/27/98	3/08	1,188,750	<u>594,375</u>	<u>(118,875)</u>	<u>475,500</u>
Hall Tile Drain Debt	5.10-5.45%	6/1/00	12/1/09	190,000	<u>133,000</u>	<u>(19,000)</u>	<u>114,000</u>
Total General Long-term Debt					<u>\$ 803,265</u>	<u>\$ (124,664)</u>	<u>\$ 678,601</u>

Maturities of long-term debt, excluding compensated absences, including interest of \$73,657 are as follows:

<u>Fiscal Year</u>	<u>General Long-Term Debt</u>		
	<u>County Drain Assessment</u>	<u>Hall Tile Drain</u>	<u>Total</u>
2005	\$ 139,715	\$ 25,169	\$ 164,884
2006	134,505	24,127	158,632
2007	129,295	23,102	152,397
2008	124,086	22,076	146,162
2009	-	21,057	21,057
2010 and thereafter	<u>-</u>	<u>20,025</u>	<u>20,025</u>
	<u>\$ 527,601</u>	<u>\$ 135,556</u>	<u>\$ 663,157</u>

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

6. SEGMENT INFORMATION – ENTERPRISE FUNDS

The Township maintains two enterprise funds which provide sewer and water services. Segment information is as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenues	\$1,167,995	\$1,624,968	\$2,792,963
Depreciation expense	172,878	191,924	364,802
Operating income	389,754	224,345	614,099
Net income	538,460	265,283	803,743
Property, plant and equipment additions	530,862	110,193	641,055
Net working capital	2,372,115	3,293,919	5,666,034
Total assets	10,479,767	13,222,796	23,702,563
Total equity	10,466,846	12,903,287	23,370,133

7. CONTRIBUTED CAPITAL

A summary of changes in Contributed Capital for the year ended March 31, 2004 follows:

	<u>Components of Contributed Capital</u>		
	<u>Federal Grants</u>	<u>Local Sources</u>	<u>Total</u>
SEWER FUND:			
Balance April 1, 2003	\$ 817,940	\$ 4,309,794	\$ 5,127,734
Amortization of federal contributed capital	<u>(11,962)</u>	<u>-</u>	<u>(11,962)</u>
Total	<u>\$ 805,978</u>	<u>\$ 4,309,794</u>	<u>\$ 5,115,772</u>
WATER FUND:			
Balance, April 1, 2003	\$ 2,573,247	\$ 5,731,856	\$ 8,305,103
Amortization of federal contributed capital	<u>(36,708)</u>	<u>-</u>	<u>(36,708)</u>
Total	<u>\$ 2,536,539</u>	<u>\$ 5,731,856</u>	<u>\$ 8,268,395</u>

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

8. SEWER OPERATING AGREEMENTS

Thomas Township has a contract agreement with Saginaw Township which states that Saginaw Township will receive and treat sewage collected by Thomas Township. Costs of operating the Saginaw Sewage Disposal Plant are prorated between the townships based on actual quarterly flow of sewage. These costs are recorded in the Sewer Enterprise Fund; total costs incurred for the year were \$311,493.

9. PENSION PLAN

The Township of Thomas Group Defined Contribution Pension Plan is a single employer defined contribution plan, established by the Township Board, with assets administered by Manulife.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by an employee vest immediately and contributions made by the Township vest after 20 months of full-time employment. An employee who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions, plus interest earned, if vesting requirements are satisfied. The Township is required to contribute 11% of the employee's total W-2 earnings for each calendar year.

During the year the Township's required and actual pension contribution was \$111,747 which is approximately 11% of its current year covered payroll.

Employees may contribute up to 25% of wages to this pension plan. Employee voluntary contributions during the fiscal year ended March 31, 2004 were \$7,016.

Plan provisions and contribution requirements are established and may be amended by the Township board.

The Plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

10. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

11. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of Saginaw County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Saginaw County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2003 totaled \$366,565,347 representing 50% of estimated actual value.

The 2003 tax levy was based on the following:

	<u>Millage Rate Used</u>
General operating	.9488
Library	.7778
Fire	.2490
Public safety	1.7500

Property taxes levied in December are recognized as revenue in the current fiscal year.

Taxes collected on behalf of the school districts and Saginaw County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

TOWNSHIP OF THOMAS

NOTES TO FINANCIAL STATEMENTS

12. CONTINGENT LIABILITIES

In the normal course of operations, the Township becomes a party to various claims and lawsuits. In the opinion of the legal council and Township management, the ultimate resolution of such matters will not have a material effect on the financial position of the Township, and there are no pending lawsuits or claims as of March 31, 2004.

13. CONSTRUCTION CODE REVENUES/EXPENDITURES

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended March 31, 2004 is as follows:

Construction permit revenue	<u>\$ 99,147</u>
Expenditures:	
Salaries and wages	97,977
Payroll taxes	7,529
Employee benefits	7,468
Employee pension	3,898
Operating supplies	2,846
Membership and dues	601
Professional services	1,000
Repairs and maintenance	620
Education and training	1,536
Capital outlay	<u>597</u>
Total expenditures	<u>124,072</u>
Expenditures over revenues	<u>\$(24,925)</u>

TOWNSHIP OF THOMAS
NOTES TO FINANCIAL STATEMENTS

14. PRIOR PERIOD ADJUSTMENT

The special assessments revenue for the year ended March 31, 2003 in the Sanitary Sewer Enterprise Fund was reduced by \$59,889, in order to reflect the reassessment of the district for the Stark Drive Sanitary Sewer Extension.

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SUPPLEMENTAL INFORMATION

GENERAL FUND

**TOWNSHIP OF THOMAS
GENERAL FUND
COMPARATIVE BALANCE SHEET
MARCH 31, 2004 AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 975,467	\$ 889,098
Receivables:		
Taxes	111,888	104,968
Special assessments	67,085	-
Due from other governmental units	<u>112,422</u>	<u>123,733</u>
TOTAL ASSETS	<u><u>\$ 1,266,862</u></u>	<u><u>\$ 1,117,799</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 5,692	\$ 8,101
Accrued payroll	8,938	-
Due to other governmental units	31,300	20,153
Deferred revenue	<u>67,085</u>	<u>-</u>
TOTAL LIABILITIES	<u>113,015</u>	<u>28,254</u>
FUND BALANCE		
Fund balances		
Unreserved		
Undesignated	<u>1,153,847</u>	<u>1,089,545</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,266,862</u></u>	<u><u>\$ 1,117,799</u></u>

**TOWNSHIP OF THOMAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
REVENUES		
Property taxes and collection	\$ 515,204	\$ 487,039
Special assessments	79,773	37,769
Intergovernmental:		
State shared revenue	882,411	954,525
Mobile home fees	3,658	3,645
Cable T.V. franchise fee	94,709	89,970
Business licenses	2,345	2,518
Community development fees	20,859	15,581
Construction permits	99,147	91,056
Penal fines	38,530	42,019
Equipment rental	-	59
Cemetery revenue	5,264	7,822
Interest earned	12,583	20,309
Sale of inventory and equipment	3,300	4,055
Reimbursements and refunds	18,249	2,462
Administration fees from other funds	166,393	130,200
Other	4,332	4,756
TOTAL REVENUES	<u>1,946,757</u>	<u>1,893,785</u>
EXPENDITURES		
Township board	43,868	40,935
Manager	103,702	95,246
Elections	10,174	21,926
Clerk	66,370	56,350
Treasurer	164,266	143,306
Municipal building	82,955	137,099
Cemetery	14,290	11,685
Community development	220,013	236,018
Construction codes	124,072	140,701
Sidewalks	2,662	227
Storm water management	27,922	10,700
Drains at large	173,075	180,207
Street lights	51,983	51,947
Road maintenance	176,561	100,389
TOTAL EXPENDITURES	<u>1,261,913</u>	<u>1,226,736</u>
REVENUES OVER EXPENDITURES	684,844	667,049
OTHER FINANCING (USES)		
Operating transfers (out)	<u>(620,542)</u>	<u>(791,081)</u>
REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	64,302	(124,032)
FUND BALANCE, BEGINNING OF THE YEAR	<u>1,089,545</u>	<u>1,213,577</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,153,847</u>	<u>\$ 1,089,545</u>

**TOWNSHIP OF THOMAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
TOWNSHIP BOARD		
Salaries and wages	\$ 24,325	\$ 23,100
Payroll taxes	1,847	1,774
Employee pension	2,608	2,471
Insurance	169	-
Operating supplies	1,457	233
Professional fees	3,329	3,833
Dues and memberships	5,282	4,982
Legal notices	1,494	1,384
Education and training	3,357	3,158
	<u>43,868</u>	<u>40,935</u>
TOTAL TOWNSHIP BOARD		
TOWNSHIP MANAGER		
Salaries and wages	70,908	66,512
Payroll taxes	4,960	4,679
Employee benefits	16,880	11,168
Employee pension	7,537	7,230
Insurance	27	27
Education and training	541	1,185
Operating supplies	1,548	498
Professional fees	65	33
Dues and memberships	750	1,380
Cellular phone	486	564
Miscellaneous	-	1,490
Equipment	-	480
	<u>103,702</u>	<u>95,246</u>
TOTAL TOWNSHIP MANAGER		

(Continued)

**TOWNSHIP OF THOMAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ELECTIONS		
Salaries and wages	\$ 525	\$ 4,694
Inspectors	3,665	9,218
Payroll taxes	40	426
Operating supplies	2,278	5,299
Repair and maintenance	2,160	1,388
Miscellaneous	<u>1,506</u>	<u>901</u>
TOTAL ELECTIONS	<u>10,174</u>	<u>21,926</u>
 CLERK		
Salaries and wages	40,148	31,058
Payroll taxes	2,995	2,467
Employee benefits	5,090	4,423
Employee pension	3,981	3,180
Office supplies and expense	911	3,248
Memberships and dues	165	325
Professional fees	111	75
Education and training	1,354	1,115
Printing and publishing	10,062	8,705
Insurance	293	288
Repairs and maintenance	<u>1,260</u>	<u>1,466</u>
TOTAL CLERK	<u>66,370</u>	<u>56,350</u>

(Continued)

**TOWNSHIP OF THOMAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
TREASURER		
Salaries and wages	\$ 84,024	\$ 80,335
Payroll taxes	6,118	5,938
Employee benefits	25,051	20,726
Employee pension	8,636	8,402
Operating supplies	8,369	6,617
Professional fees	8,583	8,071
Memberships and dues	443	265
Tax roll preparation	18,030	11,986
Insurance	106	106
Education and training	900	446
Miscellaneous	28	-
Equipment	3,978	414
	<hr/>	<hr/>
TOTAL TREASURER	164,266	143,306
	<hr/>	<hr/>
MUNICIPAL BUILDING		
Salaries and wages	12,226	11,789
Payroll taxes	921	1,135
Employee benefits	177	179
Employee pension	681	839
Operating supplies and expense	17,116	26,196
Beautification Day	500	500
Contracted services	900	1,360
Telephone	10,854	10,190
Insurance	5,836	3,036
Utilities	14,258	13,232
Repairs and maintenance	18,775	47,053
Equipment rental	631	737
Miscellaneous	80	-
Capital outlay	-	20,853
	<hr/>	<hr/>
TOTAL MUNICIPAL BUILDING	82,955	137,099
	<hr/>	<hr/>

(Continued)

**TOWNSHIP OF THOMAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
CEMETERY		
Salaries and wages	\$ 6,577	\$ 8,453
Payroll taxes	215	277
Employee benefits	47	59
Employee pension	258	391
Insurance	-	1
Repairs and maintenance	676	717
Equipment rental	1,025	1,787
Capital outlay	5,492	-
	<hr/>	<hr/>
TOTAL CEMETERY	14,290	11,685
	<hr/>	<hr/>
COMMUNITY DEVELOPMENT		
Salaries and wages	102,013	101,194
Payroll taxes	7,655	7,899
Employee benefits	12,630	11,215
Employee pension	7,616	7,358
Operating supplies and expense	2,131	5,066
Professional fees	76,735	86,937
Memberships and dues	175	116
Legal notices	2,491	5,488
Telephone	554	623
Insurance	2,816	3,319
Repairs and maintenance	662	170
Vehicle expense	1,757	804
Education and training	2,634	3,111
Capital outlay	144	2,718
	<hr/>	<hr/>
TOTAL COMMUNITY DEVELOPMENT	220,013	236,018
	<hr/>	<hr/>

(Continued)

**TOWNSHIP OF THOMAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
CONSTRUCTION CODES		
Salaries and wages	\$ 97,977	\$ 93,221
Payroll taxes	7,529	7,119
Employee benefits	7,468	6,781
Employee pension	3,898	3,781
Operating supplies	2,846	1,426
Memberships and dues	601	50
Professional services	1,000	2,045
Repairs and maintenance	620	1,646
Education and training	1,536	2,152
Capital outlay	597	22,480
TOTAL CONSTRUCTION CODES	<u>124,072</u>	<u>140,701</u>
SIDEWALKS		
Salaries and wages	195	161
Payroll taxes	19	14
Employee pension	-	18
Repairs and maintenance	60	-
Equipment rental	33	34
Capital outlay - sidewalks	2,355	-
TOTAL SIDEWALKS	<u>2,662</u>	<u>227</u>
STORM WATER MANAGEMENT	<u>27,922</u>	<u>10,700</u>
DRAINS AT LARGE	<u>173,075</u>	<u>180,207</u>
STREET LIGHTS	<u>51,983</u>	<u>51,947</u>

**TOWNSHIP OF THOMAS
GENERAL FUND
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
ROAD MAINTENANCE	<u>\$ 176,561</u>	<u>\$ 100,389</u>
TOTAL EXPENDITURES	<u>1,261,913</u>	<u>1,226,736</u>
OPERATING TRANSFERS OUT		
Fire department	170,725	173,936
Police department	216,419	223,173
Parks and recreation	<u>233,398</u>	<u>393,972</u>
TOTAL OPERATING TRANSFERS OUT	<u>620,542</u>	<u>791,081</u>
TOTAL EXPENDITURES AND OPERATING TRANSFERS OUT	<u><u>\$ 1,882,455</u></u>	<u><u>\$ 2,017,817</u></u>

SPECIAL REVENUE FUNDS

**TOWNSHIP OF THOMAS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004**

	REFUSE COLLECTION	FIRE EQUIPMENT	FIRE	POLICE
ASSETS				
Cash and cash equivalents	\$ 622,384	\$ 314,789	\$ 311,234	\$ 364,586
Investments	-	-	-	-
Due from other governmental units	-	-	-	-
TOTAL ASSETS	\$ 622,384	\$ 314,789	\$ 311,234	\$ 364,586
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 109,526	\$ -	\$ 834	\$ 1,506
Accrued payroll	123	-	4,129	8,160
TOTAL LIABILITIES	109,649	-	4,963	9,666
FUND BALANCES				
Unreserved:				
Designated for subsequent year expenditures	-	-	41,216	9,797
Undesignated	512,735	314,789	265,055	345,123
TOTAL FUND BALANCES	512,735	314,789	306,271	354,920
TOTAL LIABILITIES AND FUND BALANCES	\$ 622,384	\$ 314,789	\$ 311,234	\$ 364,586

PUBLIC SAFETY CAPITAL IMPROVEMENTS	DRUG LAW ENFORCEMENT	LIBRARY	PARKS & RECREATION	TOTAL
\$ -	\$ 900	\$ 697,368	\$ 28,599	\$ 2,339,860
-	-	200,000	-	200,000
-	-	6,910	6,558	13,468
<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 904,278</u>	<u>\$ 35,157</u>	<u>\$ 2,553,328</u>
\$ -	\$ -	\$ -	\$ 626	\$ 112,492
-	-	2,982	2,021	17,415
-	-	2,982	2,647	129,907
-	-	-	19,075	70,088
-	900	901,296	13,435	2,353,333
-	900	901,296	32,510	2,423,421
<u>\$ -</u>	<u>\$ 900</u>	<u>\$ 904,278</u>	<u>\$ 35,157</u>	<u>\$ 2,553,328</u>

**TOWNSHIP OF THOMAS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	REFUSE COLLECTION	FIRE EQUIPMENT	FIRE	POLICE
REVENUES				
Property tax collection	\$ -	\$ 98,157	\$ 248,859	\$ 442,186
Special assessment	503,294	-	-	-
State aid	-	-	-	14,496
State grants	1,068	-	2,906	3,288
Charges for services	-	-	-	-
Book fines	-	-	-	-
Penal fines	-	-	-	-
Contributions and memorials	-	-	-	2,714
Sale of inventory and equipment	-	-	4,828	4,277
Reimbursements and refunds	4,319	2,740	1,798	1,329
Interest	11,549	-	-	-
Other	-	-	-	-
TOTAL REVENUES	520,230	100,897	258,391	468,290
EXPENDITURES				
Current:				
Payroll and benefits	-	-	230,753	569,366
Office supplies	-	-	-	-
Administration fee	11,457	-	4,617	4,617
Audit	-	-	456	513
Membership dues	-	-	1,380	200
Telephone	-	-	14,357	8,882
Printing and publishing	-	-	-	-
Insurance - general	-	-	17,198	9,074
Utilities	-	-	17,057	5,473
Repairs and maintenance	-	-	27,758	8,296
Equipment rental	-	-	-	71
Vehicle expense	-	-	17,306	29,017
Education and training	-	-	14,513	244
Other	4,798	-	276	492
Books and materials	-	-	-	-
Equipment/capital outlay	-	55,947	22,906	22,907
Operating supplies	2,289	-	18,981	11,036
Refuse contract	482,619	-	-	-
Legal and professional services	-	-	2,205	11,778
Uniforms	-	-	2,494	5,053
Medical	-	-	2,286	-
Justice training fund	-	-	-	1,966
Recreation programs	-	-	-	-
Senior citizens programs	-	-	-	-
Special events	-	-	-	-
Discount tickets	-	-	-	-
Camp/Fantastic Friday	-	-	-	-
Training	-	-	-	-
Ice rink	-	-	-	-
Swim program	-	-	-	-
TOTAL EXPENDITURES	501,163	55,947	394,543	688,985
REVENUES OVER (UNDER) EXPENDITURES	19,067	44,950	(136,152)	(220,695)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	170,725	265,616
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	170,725	265,616
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	19,067	44,950	34,573	44,921
FUND BALANCES, BEGINNING OF YEAR	493,668	269,839	271,698	309,999
FUND BALANCES, END OF YEAR	\$ 512,735	\$ 314,789	\$ 306,271	\$ 354,920

PUBLIC SAFETY CAPITAL IMPROVEMENTS	DRUG LAW ENFORCEMENT	LIBRARY	PARKS & RECREATION	TOTAL
\$	\$	\$	\$	\$
-	-	307,069	-	1,096,271
-	-	-	-	503,294
-	-	6,719	-	6,719
-	-	1,736	-	16,232
-	-	-	95,917	103,179
-	-	5,871	-	5,871
-	-	55,250	-	55,250
-	-	3,672	13,963	17,635
-	-	-	19	2,733
-	-	652	2,870	12,627
17	-	13,061	734	23,998
-	-	330	-	11,879
17	-	394,360	113,503	1,855,688
-	-	161,820	106,593	1,068,532
-	-	3,680	-	3,680
-	-	6,498	-	27,189
-	-	300	-	1,269
-	-	5,608	250	7,438
-	-	3,798	2,261	29,298
-	-	1,366	547	1,913
-	-	8,273	5,339	39,884
-	-	9,135	6,547	38,212
-	-	8,726	26,852	71,632
-	-	-	315	386
-	-	50	3,810	50,183
-	-	50	14	14,821
-	-	3,127	2,761	11,454
-	-	39,350	-	39,350
-	-	6,939	60,674	169,373
-	-	-	3,016	35,322
-	-	-	-	482,619
-	-	-	16,385	30,368
-	-	-	-	7,547
-	-	-	-	2,286
-	-	-	-	1,966
-	-	-	48,060	48,060
-	-	-	2,565	2,565
-	-	-	19,388	19,388
-	-	-	6,675	6,675
-	-	-	17,071	17,071
-	-	-	7,416	7,416
-	-	-	203	203
-	-	-	20,117	20,117
-	-	258,720	356,859	2,256,217
17	-	135,640	(243,356)	(400,529)
(49,197)	-	-	233,398	669,739
(49,197)	-	-	-	(49,197)
(49,197)	-	-	233,398	620,542
(49,180)	-	135,640	(9,958)	220,013
49,180	900	765,656	42,468	2,203,408
\$	\$	\$	\$	\$
-	900	901,296	32,510	2,423,421

ENTERPRISE FUNDS

**TOWNSHIP OF THOMAS
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004**

	Sewer	Water	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,469,336	\$ 3,629,423	\$ 6,098,759
Accounts receivable			
Billed accounts	8,706	8,721	17,427
Unbilled accounts	198,947	182,761	381,708
Due from other governmental units	49,807	-	49,807
Special assessments receivable - current	9,600	20,000	29,600
Inventory	-	63,469	63,469
TOTAL CURRENT ASSETS	2,736,396	3,904,374	6,640,770
LONG TERM ASSETS			
Property, plant, and equipment	10,689,654	11,655,006	22,344,660
Less accumulated depreciation	(3,109,560)	(2,396,031)	(5,505,591)
Special assessments receivable - long-term	163,277	59,447	222,724
TOTAL LONG TERM ASSETS	7,743,371	9,318,422	17,061,793
TOTAL ASSETS	\$ 10,479,767	\$ 13,222,796	\$ 23,702,563
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable	\$ 4,532	\$ 4,880	\$ 9,412
Accrued payroll	1,860	2,332	4,192
Deposits from developers	-	305,768	305,768
TOTAL CURRENT LIABILITIES	6,392	312,980	319,372
LONG-TERM LIABILITIES			
Accrued compensated absences	6,529	6,529	13,058
TOTAL LIABILITIES	12,921	319,509	332,430
FUND EQUITY			
Contributed capital	5,115,772	8,268,395	13,384,167
Retained earnings :			
Reserved for sewage treatment plant expansion	562,102	-	562,102
Reserved for construction, improvement or expansion	-	1,343,219	1,343,219
Unreserved	4,788,972	3,291,673	8,080,645
TOTAL RETAINED EARNINGS	5,351,074	4,634,892	9,985,966
TOTAL FUND EQUITY	10,466,846	12,903,287	23,370,133
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,479,767	\$ 13,222,796	\$ 23,702,563

**TOWNSHIP OF THOMAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 1,058,991	\$ 1,431,863	\$ 2,490,854
Connection charges	1,500	45,624	47,124
Capacity charges	107,430	97,940	205,370
Turn-on/hauler/pool fill	-	5,345	5,345
Extensions	-	38,354	38,354
Miscellaneous	74	5,842	5,916
TOTAL OPERATING REVENUES	1,167,995	1,624,968	2,792,963
OPERATING EXPENSES			
Salaries and wages	84,270	111,804	196,074
Payroll taxes	6,469	8,311	14,780
Employee benefits	26,949	27,272	54,221
Employee pension plan	8,713	10,667	19,380
Administrative fees	69,597	69,597	139,194
Professional fees	7,859	31,463	39,322
Contracted services	-	23	23
Membership and dues	1,936	6,087	8,023
Communications, telephones, and pagers	6,531	1,399	7,930
Sewage treatment	311,493	-	311,493
Insurance - general	11,775	8,642	20,417
Insurance - workers comp	380	401	781
Cost of water	-	790,698	790,698
Repairs and maintenance	25,657	76,765	102,422
Vehicle expense	2,168	2,943	5,111
Education and training	1,531	3,040	4,571
Depreciation	172,878	191,924	364,802
Operating supplies	3,648	3,873	7,521
Uniforms	2,332	2,332	4,664
Utilities	15,439	3,819	19,258
Legal notices	3,177	254	3,431
Miss Dig service	2,054	2,054	4,108
Maintenance agreements	1,165	-	1,165
Gas and oil	4,572	4,467	9,039
Connection cost	-	39,826	39,826
Medical	335	160	495
Miscellaneous	7,313	2,802	10,115
TOTAL OPERATING EXPENSES	778,241	1,400,623	2,178,864
OPERATING INCOME	389,754	224,345	614,099
NONOPERATING REVENUES (EXPENSES)			
State grants	125,892	-	125,892
Interest revenue	22,814	41,566	64,380
Interest expense	-	(428)	(428)
Paying agent fees	-	(200)	(200)
TOTAL NET NONOPERATING REVENUES	148,706	40,938	189,644
NET INCOME	538,460	265,283	803,743
ADD: Depreciation on fixed assets acquired with grants that reduces contributed capital	11,962	36,708	48,670
INCREASE IN RETAINED EARNINGS	550,422	301,991	852,413
RETAINED EARNINGS, BEGINNING OF YEAR , AS RESTATED	4,800,652	4,332,901	9,133,553
RETAINED EARNINGS, END OF YEAR	\$ 5,351,074	\$ 4,634,892	\$ 9,985,966

**TOWNSHIP OF THOMAS
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 389,754	\$ 224,345	\$ 614,099
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	172,878	191,924	364,802
(Increase) decrease in assets:			
Accounts receivable	(15,348)	4,706	(10,642)
Special assessments receivable	31,809	28,646	60,455
Due from other governmental units	45,500	-	45,500
Inventory	-	(7,321)	(7,321)
Increase (decrease) in liabilities:			
Accounts payable	(79,288)	(58,994)	(138,282)
Accrued payroll	1,860	2,332	4,192
Deposits from developers	-	259,465	259,465
Accrued compensated absences	206	206	412
NET CASH PROVIDED BY OPERATING ACTIVITIES	547,371	645,309	1,192,680
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(530,862)	(110,193)	(641,055)
Principal paid on bonds and contracts	-	(15,000)	(15,000)
Interest paid on bonds and contracts	-	(428)	(428)
Paying agent fees	-	(200)	(200)
State grants	125,892	-	125,892
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(404,970)	(125,821)	(530,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	50,000	-	50,000
Interest income	22,814	41,566	64,380
NET CASH PROVIDED BY INVESTING ACTIVITIES	72,814	41,566	114,380
NET INCREASE IN CASH AND CASH EQUIVALENTS	215,215	561,054	776,269
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,254,121	3,068,369	5,322,490
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,469,336	\$ 3,629,423	\$ 6,098,759

SEWER FUND

**TOWNSHIP OF THOMAS
SANITARY SEWER FUND
COMPARATIVE BALANCE SHEET
MARCH 31, 2004 AND 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,469,336	\$ 2,003,662
Accounts receivable		
Billed water accounts	8,706	11,182
Unbilled water accounts	198,947	181,123
Special assessment receivable - current	49,807	95,307
	9,600	21,000
TOTAL CURRENT ASSETS	2,736,396	2,312,274
RESTRICTED ASSETS		
Cash and cash equivalents	-	250,459
Investments	-	50,000
TOTAL RESTRICTED ASSETS	-	300,459
PROPERTY, PLANT AND EQUIPMENT		
Sewer distribution system and equipment	9,872,539	9,341,677
Capacity rights	817,115	817,115
Less allowance for depreciation	10,689,654	10,158,792
	(3,109,560)	(2,936,682)
NET PROPERTY, PLANT AND EQUIPMENT	7,580,094	7,222,110
Special assessments receivable - long-term	163,277	183,686
<u>TOTAL ASSETS</u>	<u>\$ 10,479,767</u>	<u>\$ 10,018,529</u>
<u>LIABILITIES AND FUND EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 4,532	\$ 83,820
Accrued payroll	1,860	-
TOTAL CURRENT LIABILITIES	6,392	83,820
LONG-TERM LIABILITIES		
Accrued compensated absences	6,529	6,323
TOTAL LIABILITIES	12,921	90,143
FUND EQUITY		
Contributed Capital:	5,115,772	5,127,734
Retained Earnings:		
Reserved for sewage treatment expansion	562,102	464,162
Unreserved	4,788,972	4,336,490
TOTAL RETAINED EARNINGS	5,351,074	4,800,652
TOTAL FUND EQUITY	10,466,846	9,928,386
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 10,479,767</u>	<u>\$ 10,018,529</u>

**TOWNSHIP OF THOMAS
SANITARY SEWER FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	2004	2003
OPERATING REVENUES		
Charges for services	\$ 1,058,991	\$ 1,124,011
Connection charges	1,500	4,500
Capacity charges	107,430	77,982
Miscellaneous	74	1,656
TOTAL OPERATING REVENUES	1,167,995	1,208,149
OPERATING EXPENSES		
Salaries and wages	84,270	81,613
Payroll taxes	6,469	6,249
Employee benefits	26,949	18,075
Employee pension plan	8,713	9,041
Administrative fees	69,597	53,000
Professional fees	7,859	2,038
Membership and dues	1,936	2,118
Communications, telephones and pagers	6,531	5,555
Sewage treatment	311,493	342,429
Insurance - general	11,775	12,569
Insurance - workers comp	380	399
Repairs and maintenance	25,657	39,929
Vehicle expense	2,168	3,616
Education and training	1,531	1,159
Depreciation	172,878	175,371
Operating supplies	3,648	3,603
Uniforms	2,332	1,263
Utilities	15,439	15,125
Legal notices	3,177	212
Miss Dig service	2,054	1,788
Maintenance agreements	1,165	1,018
Gas and oil	4,572	3,696
Medical	335	140
Miscellaneous	7,313	2,985
TOTAL OPERATING EXPENSES	778,241	782,991
OPERATING INCOME	389,754	425,158
NONOPERATING REVENUES (EXPENSES)		
State grants	125,892	88,308
Special assessments	-	218,611
Interest revenue	22,814	51,695
TOTAL NET NONOPERATING REVENUES	148,706	358,614
NET INCOME	538,460	783,772
ADD: Depreciation on fixed assets acquired with grants that reduces contributed capital	11,962	11,962
INCREASE IN RETAINED EARNINGS	550,422	795,734
RETAINED EARNINGS, BEGINNING OF YEAR , AS RESTATED	4,800,652	4,004,918
RETAINED EARNINGS, END OF YEAR	\$ 5,351,074	\$ 4,800,652

**TOWNSHIP OF THOMAS
SANITARY SEWER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 389,754	\$ 425,158
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	172,878	175,371
(Increase) decrease in assets:		
Accounts receivable	(15,348)	(33,910)
Due from other governmental units	45,500	(78,488)
Special assessments receivable	31,809	(204,686)
Increase (decrease) in liabilities:		
Accounts payable	(79,288)	79,870
Accrued payroll	1,860	-
Accrued compensated absences	206	(1,390)
	<u>547,371</u>	<u>361,925</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(530,862)	(267,820)
State grants	125,892	88,308
Special assessments	-	218,611
	<u>(404,970)</u>	<u>39,099</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of investments	50,000	-
Interest on investments	22,814	51,695
	<u>72,814</u>	<u>51,695</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	215,215	452,719
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,254,121</u>	<u>1,801,402</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,469,336</u>	<u>\$ 2,254,121</u>

WATER FUND

**TOWNSHIP OF THOMAS
WATER FUND
COMPARATIVE BALANCE SHEET
MARCH 31, 2004 AND 2003**

ASSETS

CURRENT ASSETS

Cash and cash equivalents
Accounts receivable
 Billed water accounts
 Unbilled water accounts
Inventory

Special assessment receivable - current

TOTAL CURRENT ASSETS

RESTRICTED ASSETS

Cash and cash equivalents

PROPERTY, PLANT AND EQUIPMENT

Land and improvements
Buildings
Machinery and equipment
Elevated tank
Meter pit
Office equipment
Vehicles
Mains, valves, and hydrants
Wells

Less allowance for depreciation

NET PROPERTY, PLANT AND EQUIPMENT

Special assessments receivable - long-term

TOTAL ASSETS

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable
Accrued payroll
Deposits from developers
Bonds payable

TOTAL CURRENT LIABILITIES

LONG-TERM LIABILITIES

Accrued compensated absences

TOTAL LIABILITIES

FUND EQUITY

Contributed Capital:
 Property owners
Retained earnings:
 Reserved for bond and interest redemption
 Reserved for construction, improvement or expansion
 Unreserved

TOTAL RETAINED EARNINGS

TOTAL FUND EQUITY

TOTAL LIABILITIES AND FUND EQUITY

	<u>2004</u>	<u>2003</u>
	\$	\$
	3,629,423	2,861,604
	8,721	14,447
	182,761	181,741
	63,469	56,148
	20,000	20,000
	<u>3,904,374</u>	<u>3,133,940</u>
	-	206,765
	43,644	43,644
	120,472	120,472
	72,667	71,167
	292,646	292,646
	178,637	178,637
	67,972	67,169
	141,640	129,421
	10,714,802	10,619,131
	22,526	22,526
	11,655,006	11,544,813
	(2,396,031)	(2,204,107)
	<u>9,258,975</u>	<u>9,340,706</u>
	59,447	88,093
	<u>\$ 13,222,796</u>	<u>\$ 12,769,504</u>
	\$	\$
	4,880	63,874
	2,332	-
	305,768	46,303
	-	15,000
	312,980	125,177
	6,529	6,323
	<u>319,509</u>	<u>131,500</u>
	8,268,395	8,305,103
	-	15,427
	1,343,219	1,111,875
	3,291,673	3,205,599
	4,634,892	4,332,901
	<u>12,903,287</u>	<u>12,638,004</u>
	<u>\$ 13,222,796</u>	<u>\$ 12,769,504</u>

**TOWNSHIP OF THOMAS
WATER FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
OPERATING REVENUES		
Charges for services	\$ 1,431,863	\$ 1,508,562
Connection charges	45,624	38,611
Capacity charges	97,940	70,625
Turn-on/hauler/pool fill	5,345	4,756
Extensions	38,354	14,305
Miscellaneous	5,842	2,966
TOTAL OPERATING REVENUES	<u>1,624,968</u>	<u>1,639,825</u>
OPERATING EXPENSES		
Salaries and wages	111,804	101,433
Payroll taxes	8,311	7,749
Employee benefits	27,272	18,923
Employee pension plan	10,667	10,899
Administrative fees	69,597	53,000
Professional fees	31,463	17,341
Contracted services	23	-
Membership and dues	6,087	2,609
Communications, telephones, and pagers	1,399	1,504
Insurance - general	8,642	8,249
Insurance - workers comp	401	386
Cost of water	790,698	810,538
Repairs and maintenance	76,765	50,033
Vehicle expense	2,943	3,715
Education and training	3,040	2,876
Depreciation	191,924	191,040
Operating supplies	3,873	5,466
Uniforms	2,332	1,374
Utilities	3,819	3,390
Legal notices	254	935
Miss Dig Service	2,054	1,788
Gas and oil	4,467	3,232
Connection cost	39,826	23,257
Medical	160	140
Miscellaneous	2,802	2,421
TOTAL OPERATING EXPENSES	<u>1,400,623</u>	<u>1,322,298</u>
OPERATING INCOME	<u>224,345</u>	<u>317,527</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	41,566	61,001
Loss on sale of asset	-	(460)
Interest expense	(428)	(545)
Paying agent fees	(200)	(400)
TOTAL NET NONOPERATING REVENUES	<u>40,938</u>	<u>59,596</u>
NET INCOME	<u>265,283</u>	<u>377,123</u>
ADD: Depreciation on fixed assets acquired with grants that reduces contributed capital	<u>36,708</u>	<u>36,708</u>
INCREASE IN RETAINED EARNINGS	<u>301,991</u>	<u>413,831</u>
RETAINED EARNINGS, BEGINNING OF YEAR	<u>4,332,901</u>	<u>3,919,070</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 4,634,892</u></u>	<u><u>\$ 4,332,901</u></u>

**TOWNSHIP OF THOMAS
WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 224,345	\$ 317,527
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	191,924	191,040
(Increase) decrease in assets:		
Accounts receivable	4,706	(50,497)
Special assessments receivable	28,646	36,084
Due from other funds	-	42,000
Inventory	(7,321)	1,089
Increase (decrease) in liabilities		
Accounts payable	(58,994)	4,156
Accrued payroll	2,332	-
Accrued interest payable	-	(590)
Deposit from developers	259,465	11,255
Accrued compensated absences	206	(1,390)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>645,309</u>	<u>550,674</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(110,193)	(304,580)
Principal paid on bonds	(15,000)	(10,000)
Interest paid on bonds	(428)	(545)
Paying agent fees	(200)	(400)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(125,821)</u>	<u>(315,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	41,566	61,001
NET INCREASE IN CASH AND CASH EQUIVALENTS	561,054	296,150
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,068,369</u>	<u>2,772,219</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,629,423</u></u>	<u><u>\$ 3,068,369</u></u>

TRUST AND AGENCY FUNDS

**TOWNSHIP OF THOMAS
TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2004**

	Non Expendable		Agency Funds		
	Trust Fund		Trust and		
	Cemetery		Agency		
	Endowment				Total
ASSETS					
Cash	\$	-	\$	473	\$ 473
Investments		15,428		-	15,428
TOTAL ASSETS	\$	15,428	\$	473	\$ 15,901
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to other governmental units	\$	-	\$	473	\$ 473
FUND BALANCES					
Reserved for cemetery maintenance		15,428		-	15,428
TOTAL LIABILITIES AND FUND BALANCES	\$	15,428	\$	473	\$ 15,901

**TOWNSHIP OF THOMAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Balance April 1, 2003		Additions		Deductions		Balance March 31, 2004
TAX COLLECTION FUND							
ASSETS							
Cash and cash equivalents	\$ 5,497	\$	14,484,266	\$	14,489,290	\$	473
LIABILITIES							
Due to other governmental units	\$ 5,497	\$	14,484,266	\$	14,489,290	\$	473

LONG-TERM DEBT

**TOWNSHIP OF THOMAS
SCHEDULES OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED MARCH 31, 2004**

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2004</u>
WATER FUND				
1993 Special Assessment Bonds	\$ 15,000	\$ -	\$ 15,000	\$ -
GENERAL LONG-TERM DEBT				
ACCOUNT GROUP:				
Compensated absences payable	\$ 75,890	\$ 13,211	\$ -	\$ 89,101
County drain assessment debt	594,375	-	118,875	475,500
Hall tile drain debt	133,000	-	19,000	114,000
	<u>\$ 933,418</u>	<u>\$ 13,211</u>	<u>\$ 137,875</u>	<u>\$ 678,601</u>

**TOWNSHIP OF THOMAS
GENERAL LONG-TERM DEBT ACCOUNT GROUP
LONG-TERM DEBT REPAYMENT SCHEDULE
MARCH 31, 2004**

COUNTY DRAIN ASSESSMENT DEBT

Date of issue: August 27, 1998

Original amount of debt: \$1,188,750

<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 2005	4.38%	\$ 118,875	\$ 20,840	\$ 139,715
2006	4.38	118,875	15,630	134,505
2007	4.38	118,875	10,420	129,295
2008	4.38	118,875	5,211	124,086
Total		<u>\$ 475,500</u>	<u>\$ 52,101</u>	<u>\$ 527,601</u>

HALL TILE DRAIN DEBT

Date of issue: June 1, 2000

Original amount of debt: \$190,000

<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 2004	5.30%	\$ 19,000	\$ 6,169	\$ 25,169
2005	5.30	19,000	5,127	24,127
2006	5.40	19,000	4,102	23,102
2007	5.40	19,000	3,076	22,076
2008	5.45	19,000	2,057	21,057
2009	5.45	19,000	1,025	20,025
Total		<u>\$ 114,000</u>	<u>\$ 21,556</u>	<u>\$ 135,556</u>

INTERNAL CONTROL AND COMPLIANCE



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

May 20, 2004

Members of the Township Board
Township of Thomas
Saginaw, Michigan

We have audited the general purpose financial statements of the *Township of Thomas, Michigan* as of and for the year ended March 31, 2004, and have issued our report thereon dated May 20, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the *Township of Thomas, Michigan's* general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Township of Thomas, Michigan's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, Township Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Johnson



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

May 20, 2004

To the Township Board
Township of Thomas
Saginaw, Michigan

In planning and performing our audit of the general purpose financial statements of the ***Township of Thomas*** for the year ended March 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 20, 2004, on the financial statements of the ***Township of Thomas***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the management and personnel for their support and assistance during the audit of the ***Township of Thomas***

Rehmann Robson

TOWNSHIP OF THOMAS

COMMENTS AND RECOMMENDATIONS

A) GENERAL FIXED ASSETS

Findings

The Township does not maintain a current detailed list of general fixed assets. In the audit report, capital outlay expenditures for the year ended March 31, 2004 were added to value of the general fixed asset account group. Any fixed assets that could be confirmed as being sold or scrapped were deleted from the total for statement preparation.

Recommendation

The Township has performed a physical inventory and has purchased and installed fixed asset software needed to maintain a current detailed list of general fixed assets. However, the information has not been entered into the software system. We recommend the Township, once they complete entering the fixed assets into the software system, implement a process to keep track of subsequent fixed asset additions and disposals. This listing is useful for accounting purposes to maintain control over the assets and for insurance purposes to enable the Township to have the appropriate assets covered and sufficient insurance coverage. This listing will also be required when the Township implements GASB 34 and must allocate depreciation expense to the assets' applicable function / program.

B) FINANCIAL STATEMENT REPORTING MODEL

The Governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This Statement will significantly affect the manner in which the Township's financial statements are presented. Some of the key changes will include:

- Requiring a management's discussion and analysis section in the financial report.
- Reporting the Township's "Balance sheet" and "Income statement" on an entity wide basis.
- Reporting infrastructure as assets of the Township.
- Recording depreciation on all Township assets.
- Adjusting the focus of the income statement to a "types of service" format.
- Reporting both original and amended budgets

The Township will be required to adopt the statement for the year ended March 2005, although earlier application is allowed. Preparing the Township's financial records for the changes required by the new statement can be expected to require a significant amount of time and effort by the Township's management and accounting staff. We recommend that the Township management continue to move forward with the identification of the challenges that arise from adopting the statement and develop an implementation plan to meet those challenges in the proper time frame.